

Message Text

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44

ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 EB-11 IGA-02 AGR-20 COME-00

TRSE-00 OMB-01 CIAE-00 INR-10 NSAE-00 RSC-01 L-03

RSR-01 /087 W

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P 301351 Z MAY 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC PRIORITY 20

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EO 11652: N/ A

TAGS: EAID, EAGR, CL

SUBJ: PL-480 TITLE I AND WHEAT PROGRAM

REF: LA PAZ 2617

1. MINAG AND ACTING MINFIN CALLED USAID/ AG CHIEF MOFFETT AND ECONOFF TO MEETING MAY 25 TO REQUEST USE OF PL-480 COUNTERPART TO SET UP A \$ B 18 MILLION FUND TO COVER DIFFERENCE BETWEEN MILLER' S COST AND PRODUCER' S PRICE ON NATIONAL WHEAT.

2. ECONOFF SAID MATTER WOULD HAVE TO BE REFERRED TO WASHINGTON. VENTURED, HOWEVER, THAT IF FUND DESIGNED AS NATIONAL WHEAT PRODUCTION INCENTIVE AND PRICE STABILIZATION FUND WHICH WOULD SERVE TO TAKE RIGIDITIES OUT OF PRESENT WHEAT AND FLOUR PRICE CONTROLS, HE BELIEVED PROPOSED USE OF COUNTERPART COULD BE ACCEPTED. SAID SUCH FUND WOULD HAVE TO BE CONFINED TO NATIONAL WHEAT AND THAT USG OPPOSED USE OF PL-480 COUNTERPART TO SUBSIDIZE IMPORTS OF WHEAT OR FLOUR.

3. ECONOFF NOTED THAT GOB HAS FIXED SINGLE PRICE FOR NATIONAL WHEAT DELIVERED AT MILL FOR ENTIRE COUNTRY DESPITE VARYING DISTANCE PRODUCERS FROM MILL OR MILLS FROM CONSUMPTION CENTERS. SAID BELIEVED SUCH A PROGRAM COULD NOT LAST LONG WITHOUT RESULTING IN DISEQUILIBRIA THAT COULD DEFEAT EFFORTS TO INCREASE WHEAT

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PRODUCTION AND APPEARED THAT FORCES OF SUPPLY AND DEMAND WOULD EVENTUALLY HAVE TO BE GIVEN GREATER LATITUDE. SAID BELIEVED WASHINGTON WOULD APPROVE PROPOSED USE OF COUNTERPART IF FUNDS USED TO INTRODUCE FLEXIBILITY INTO WHEAT SUPPORT PRICE AND BECAME A WHEAT PRICE STABILIZATION FUND THAT COULD DO FOR WHEAT WHAT HAD ALREADY BEEN DONE FOR RICE IN BOLIVIA.

4. MINAG AND ACTING MINFIN EXPRESSED THEIR APPRECIATION FOR VIEW OFFERED AND THEIR WILLINGNESS SET UP FUND ALONG LINES INDICATED. NOTED, HOWEVER, THAT WHEAT IN TRADITIONAL AREAS NOW BEING HARVESTED AND THAT FUNDS MUST GO INTO OPERATION IMMEDIATELY IF HIGHER THAN NORMAL PROPORTION OF THIS WHEAT TO BE BOUGHT BY MILLS.

5. ACTION REQUESTED: THAT DEPARTMENT AND AID/ W CONCUR IN PROPOSED USE OF PL-480 COUNTERPART, STIPULATING THAT FUND TO BE CREATED NOT BE SIMPLE SUBSIDY BUT FORM THE BASIS FOR A WHEAT PRICE STABILIZATION FUND IN THE CONTEXT OF A PRICE SYSTEM THAT HAS GREATER FLEXIBILITY (SUCH AS UPPER AND LOWER LIMITS FOR WHEAT AND FLOUR PRICES) THAN THE SYSTEM NOW IN USE AND ALLOWS GREATER ROLE FOR SUPPLY, DEMAND AND TRANSPORTATION COST FACTORS IN DETERMINING PRICES.

6. WE ARE TOLD GOB SERIOUSLY REVIEWING TREASURY BUDGET TO FIND ADDITIONAL ITEMS THAT CAN BE FINANCED BY PL-480 COUNTERPART SO THAT OTHER GOB RESOURCES CAN BE FREED TO MEET SUBSIDY ON IMPORTED WHEAT AND FLOUR. EVEN IF THIS EFFORT NOT COMPLETELY SUCCESSFUL, NOW APPEARS THAT TREASURY DEFICIT WILL GROW SUFFICIENTLY THAT COST OF THIS SUBSIDY COULD BE COVERED ENTIRELY BY ADDITIONAL CENTRAL BANK FINANCING OVER THE REMAINDER OF 1973. SIRACUSA

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